WHAT TO DO WITH YOUR COTTON PRODUCER'S POOL CERTIFICATES

A radio talk by Mr. Oscar Johnston, Manager, Cotton Producer's Pool, Agricultural Adjustment Administration, broadcast Friday, September 21, 1934, in the Department of Agriculture period, National Farm and Home Hour, by NBC and 50 associated radio stations.

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My talk today is directed to those interested in the administration of the 1933 Cotton Producers' Pool. It is my purpose to give accurate, first-hand information with the hope that members of the Pool will find it unnecessary to send letters and telegrams to Washington seeking this information.

Let me say to the cotton trade generally, that it is useless for you to wire this office offering to buy Pool cotton. We are not, at this time, selling any of the cotton except under the following circumstances:

We have arranged to sell the entire stock of low grade, non-tenderable cotton to the Federal Surplus Relief Corporation. They will use it in relief work. We have authorized Mr. W. M. Garrard of Greenwood, Mississippi, to sell a very small, limited quantity of extra staple cotton in order that we may get the benefit of the present high premium or basis now being paid. There is not enough of this cotton for its sale to have any market-wise effect. Moreover, when any of this cotton is sold, we are purchasing futures contracts against the sales. The sale of this limited quantity of cotton is in the hands of Mr. Garrard. Persons interested in the purchase of any of this cotton should get information they desire and make any offers directly to Mr. Garrard and not to this office. No offers to purchase which come directly to this office will be considered. The quantity of this character of cotton amounts to less than 5% of the total in the Pool.

We will sell cotton in connection with the purchase of pool certificates. We are receiving hundreds of letters from holders of Participation Trust Certificates, asking what the program is with respect to the Certificates. I propose to acknowledge these.

The Cotton Pool has issued 450,000 Participation Trust Certificates covering, in round figures, 1,950,000 bales of cotton. This is the so-called "Cotton Pool." The rights, privileges, benefits and liabilities established by these Participation Trust Certificates, are plainly printed on the back. Before submitting questions to us, please read the Certificate. These Certificates may be transferred by the person to whom they were originally issued by appropriate endorsement on the back. When a Certificate has been transferred or assigned, the person to whom it is transferred, may send it here with the request that the old Certificate be canceled and a new Certificate issued in the name of the one to whom it has been transferred. Thereafter, the holder of the new Certificate will be entitled to all of the rights, privileges and liabilities of the original holder. The Pool Manager has no control over the sale or transfer of these Certificates from one holder to another. We have emphasized in statements to the public press, by letters and telegrams, that farmers holding these Certificates should not sacrifice them.

Reports from the field indicate that in spite of our warnings, some Certificate holders are selling their Certificates, at less than their real value. To stop this, a plan has been developed which will permit the holder of a Certificate to offer it to the Pool Manager by whom it will be purchased at its market value. The market value will be determined by the price quoted on the Cotton Exchange for October cotton futures until October 15th. Thereafter, until December 15, the price will be determined by the market quotation for December cotton. From the market price, there will be deducted 10 cents per pound or $50 per bale, the amount of the claim against the cotton. There also will be deducted 30 cents per bale per month from February 1st to the first day of the month on which the price is fixed. This deduction will amount to $2.40 per bale on all Certificates purchased by the Pool Manager up to and including October 15th. After that date, the deduction will be $3 per bale up to and including December 15. The difference between the amount deducted and the market price will be remitted to the Certificate holder.

Let me illustrate this. October futures contracts were quoted on the Cotton Exchange at the close of the market yesterday, September 20, at 12.62. This would give the value of the Certificate at $63.10 per bale. From this you would deduct $52.40 leaving a net balance to the Certificate holder of $10.70 per bale. The offer to sell these Certificates to the Pool Manager must be made on a form prescribed by the Pool Manager and designated as Form C-5 F. These forms are being printed and will be mailed to the County Agents in the Cotton Belt within a few days. Holders wishing to sell their Certificates, will procure these forms from County Agents. The forms must be properly executed, one form for each Certificate offered. The Certificate must be attached to the form and sent in to this office. No letters, telegrams or other communications concerning the Certificates can be acted upon. There is but one way in which you may sell your Certificate to the Pool Manager and that is by using the proper form -- Form C-5 F, and sending in the Certificate.

Any holder of a certificate covering 500 bales or more of cotton, may purchase from the Pool Manager, actual cotton in exchange for the Certificate, provided the Pool Manager and such person can agree upon the premium or discount on or off middling 7/8 cotton. In such cases, the price charged the purchaser for the cotton will be the price at which the Manager purchases the Certificate plus or minus the premium or discount on account of class, condition and location of the cotton. Those desiring to take advantage of this plan will advise the Pool Manager of the number of bales of cotton for which they hold Certificates. They will then be instructed as to how the transaction may be consummated.

At the present price level, I believe the majority of holders of the Pool Certificates probably will not wish to sell their Certificates. Many will prefer to hold them for a more satisfactory price. Accordingly, we have arranged an alternative plan under which we will advance to Certificate holders the difference between 10 cents per pound, plus a carrying charge of $2.40, and 12 cents per pound. This plan gives to the pool members, all of the benefits of the 2 cent loan recently announced by the Commodity Credit

Corporation. Certificate holders desiring to take advantage of this offer, should get the necessary form, designated as C-5 H from the county agent. This form should be executed in accordance with the instructions which will be given to the county agent, attached to the Pool Certificate and sent in to Washington. Upon its receipt, the Pool Manager will credit the Certificate holder with 2 cents per pound or $10 per bale. From this credit, there will be deducted $2.40 which will cover all carrying charges from February 1st, 1934, to October 1st 1934. The balance of $7.60 will be remitted to the certificate holder and with the remittance will go the new Participation Trust Certificate continuing the member's interest in the Pool. The new Certificate will be subject to the claim of 12 cents per pound and all expenses will have been paid to October 1st. The value of the new Certificate thereafter will be the difference between the market price of cotton and 12 cents per pound plus 30 cents per bale per month beginning with October, 1934. The holder of the new Certificate will be permitted to sell a Certificate to the Pool at the market at any time after it is issued.

What is the difference between the two plans that have been developed? Based on the market quotation for October cotton, at the close of the market September 20, the certificate holder who sells his Certificate to the Pool Manager would get $10.70 and surrender his interest in the Pool. He would get no further benefit from any rise in the market which hereafter may occur. A certificate holder taking the cash advance will get $7.60, and retain his interest in the Pool. He will get the benefit of any future improvement in the market price. In brief, the member who sells his Certificate would get $3.10 more than the member who takes the cash advance, but would have no further interest in the Pool. It is for each Certificate holder to determine for himself whether he wishes to sell his equity for the additional $3.10 per bale. There is but one condition attached to the plan of allowing the Certificate holder to sell his certificate to the Pool Manager and that condition is that the Manager reserves the right to refuse to purchase any certificate offered him if, when the offer is made, the condition of the market is such as would not justify the Manager to sell cotton against the certificate offered. In that case, the offer would be held until such a time as the market shall warrant the acceptance thereof.

The Forms C-5 F and H just referred to are now being printed. We expect that they will be distributed within a very few days. When they are distributed, a letter of instruction will be sent to each county agent and given to the press. Certificate holders are requested to be patient and await the arrival of these forms and instructions. They should then exercise their own judgment as to which of the two plans offered, they will take. They should bear in mind that the acceptance of the cash advance entails no liability on the Certificate holder and does not prevent the holder of the new Certificate from selling his Certificate to the Pool Manager at any future date as he may see fit.

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PROGRESS OF THE BANKHEAD ACT

Radio Address of C. A. Cobb, Chief of the Cotton Section, Agricultural Adjustment Administration broadcast in Department of Agriculture period, National Farm and Home Hour, Wednesday, September 26, 1934, by a network of 50 associate NBC radio stations.

I come today to report that rapid progress is being made in the administration of the Bankhead Cotton Control Act. Throughout the cotton belt, individual cotton farmers are completing their applications, and county committees are compiling the necessary data which is forwarded to the state boards for final check.

We are passing through the critical stage in the administration of this Act. No one realizes that better than the cotton section officials at Washington. With a third ginned, the crop beginning to move in volume, cotton farmers are naturally anxious to receive their complete allotments and requisite number of exemption certificates. Effort is being made in the field to speedily complete the job of making these allotments. I repeat that rapid progress to this end is being made everywhere.

On the basis of reports received from the state allotment boards I feel reasonably certain that all counties and states will have completed the job of making the individual allotments within 10 days. I make this statement on the basis of the reports we have received from day to day from the field. Our records here indicate that all but about 100,000 cotton producers had made their applications for allotments by the end of last week. No doubt many of the remaining 100,000 have sent in their applications during the past few days. Louisiana, Alabama and Florida have completed their work. Word from Texas and Mississippi this morning indicates that they will finish up by the end of the week. Other states report similar progress.

When a county completes the task of making the individual allotments, they will then begin the allotment of the 10 percent reserve in their quotas. This reserve is designed to correct certain inequities that may occur in making the allotments from 90 percent of the county's today quota, as well as to cover cases not included in the 90 percent allotment. Section 8 of the Act specifies the manner in which this 10 percent shall be distributed. I believe that in certain parts of the cotton belt, many farmers, particularly the small producers and new producers, will find that the distribution of this 10 percent reserve under the terms of the Act will take care of their situations.

I do not have the time to describe in detail what a huge job has been involved in the administration of the Bankhead Act. To say the least, the task has not been a simple one. To determine each individual's allotment under the terms of the Act has been a job that many have said could not be done. We do not claim that some inequities may not result when the task is completed. We have sought to avoid them, of course. Yet the fact remains that some individuals may feel that they will suffer because of the Act. I do not believe that to be the case.

(over)

Every one admits that control is desirable. The cotton farmers themselves asked that the type of control as embodied in the Bankhead Act be used to supplement the adjustment program. Together, these two measures have succeeded in raising the price of cotton more than 3 cents above the prices received last season.

Suppose an individual does have to purchase an exemption certificate from his neighbor for a bale of cotton? The price of that certificate will be slightly under $20. Last year the return from a bale of cotton, including the lint and seed, was approximately $55. This year, cotton prices have advanced and the return from seed doubled. The return from a bale of cotton, on today's prices, should approximate $80. So after the tax certificate is purchased, the net return to the producer is greater by $5 than last year. And, it must be remembered that the purchase of certificates will not be necessary for every bale produced. Only that production that is in excess of the allotment will require the purchase of a certificate.

I desire at this time to express gratitude for the patience and loyalty of the cotton producers during this critical period. They have been sympathetic and understand that every effort has been and is being made to complete the job as rapidly as possible. Furthermore, when clamor was raised a few days ago for the suspension of the provisions of the Act, cotton farmers responded from one end of the Belt to the other with an emphatic expression of sentiment, a sentiment that indicates an overwhelming desire for a continuance of this control.

The South has too long sought a mechanism that will bring production of cotton into line with demand to scrap a device that has not yet been fully tried and tested. As a matter of fact, the demand for scrapping the Bankhead Act has not come from the cooperating producers.

Finally, in this connection, permit me to say that there is no legal basis for suspending the provisions of the act. That can be done only if the President should find that the emergency in the production and marketing of cotton has ceased. There is no basis for such a finding or recommendation under the present circumstances. So the administration of the Act will continue. Those in the field who are working day and night to complete the job will finish within approximately 10 days, I am advised. Then will begin the distribution of the 10 percent reserve of each county's quota. This is under way in a number of states already. It will be our purpose and the purpose of those in the field to distribute this 10 percent reserve, in accordance with the terms of the law. When this is done, we believe most of the complaints that are now coming to us will have been answered.

It is my hope that I will have the opportunity to discuss with cotton farmers over this hour next week some of the problems involved in the handling of this 10 percent reserve and to report further progress.

PRESENT STATUS OF 1934 COTTON PROGRAM

A radio talk by D. W. Watkins, Cotton Section, Agricultural Adjustment Administration, broadcast in the Department of Agriculture period, National Farm and Home Hour, Tuesday, October 9, 1934, by an NBC network of 50 radio stations.

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The Cotton Control Program is rapidly swinging toward the final moves to be made for the year 1934. With less than three months to go several important tasks yet remain to be completed. These fall into two groups, first, those that come under the Cotton Act of 1934, commonly referred to as the Bankhead Act, and second, those that come under the Voluntary Acreage Reduction Program.

Under the Bankhead Act the distribution of tax-exemption certificates, used by cotton producers in having their allotment of tax-exempt cotton ginned and sold, is far advanced. These tax-exemption certificates allotted to the cotton growing states are grouped into two classes. Ninety percent of each state's allotment is apportioned to the counties within the state and the remaining 10 percent is held as a state reserve to be distributed regardless of county lines, to producers who fall into certain specified groups named in the Act.

The work of distributing the county allotments, composing 90 percent of the total, has been finished in Arkansas, Louisiana, Florida, Kentucky, Alabama, Texas, South Carolina, Virginia and Arizona and will be finished in other states at an early date. As quickly as distribution of the 90 percent county allotments is completed in a state the State Allotment Board begins work at once on the 10 percent state reserve. The states just named as having finished with the county allotments will apportion their state reserve within a few days except in the case of Florida which has already completed this job.

The names, and the claims, of over two million cotton producers appear in the applications for tax-exemption certificates and consideration of each producer's claims together with the making of the necessary computation, has caused the distribution of certificates to extend far into the ginning season. To partly meet this situation interim certificates were made available in most counties, these being later redeemed with regular certificates.

Right here a word of warning in regard to these tax-exemption certificates is in order. They are issued only to cotton producers, or to landlords who own farms on which cotton is being produced this year. No other person has a legal right to the ownership of certificates as they can only be transferred to another cotton producer for use in ginning this year's crop of cotton of the person to whom transferred. The legal method of transfer of certificates requires, in case the producer with a surplus and the producer needing the certificates are both in the same county, that such transfer be made through the County Assistant in Cotton Adjustment in the County Agent's office where certain records of the transfer are kept. When a certificate changes ownership across a county or state line the only legal means of effecting such transfer is through the National Surplus Tax Exemption Certificate Pool represented in each county by the Assistant in Cotton Adjustment. Any person buying or selling these tax-exemption certificates in any manner

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other than just stated is liable to penalties under the provisions of the Act, and any certificates transferred other than in the manner provided are subject to cancellation. Cancelled certificates cannot be legally used. Be sure all the certificates you handle bear the signature of your County Assistant in Cotton Adjustment, showing that they came to you properly, and thus avoid embarrassment later.

Now a word about the Voluntary Reduction Contracts for the rest of this year. Most of the counties have forwarded certificates of compliance showing that individual contract signers have met the conditions of these contracts and are therefore entitled to the second rental payment and to the parity payment provided therein. These second rental payments are now beginning to go to cotton producers. Volume of payments is expected to increase rapidly from now until all second rental payments are made. Then, without waiting until December, the plan is to issue the parity payments due under the contracts, so that all tenants on cotton farms may receive their share of these payments before the time when there is normally much movement of tenants from farm to farm.

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THE PROCESSING TAX ON COTTON

A radio discussion between Cully A. Cobb, chief, cotton section, and Paul Porter, chief, press section, A.A.A., broadcast in the National Farm and Home Hour program, Friday, November 2, 1934.

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ANNOUNCER:

With important developments in the immediate offing for the AAA cotton program, today we have arranged an interview with C. A. Cobb, chief of the cotton section of the Agricultural Adjustment Administration, by Paul A. Porter, chief of the press section. First, you will hear from Mr. Porter who will question Mr. Cobb on fundamental phases of the AAA cotton program. Ladies and gentlemen, Mr. Paul Porter.

PORTER:

Good afternoon: It has been some time since I have had the privilege of getting together on the air with Mr. Cobb and talking about cotton. Takes me back to the summer of 1933, Mr. Cobb, when you were directing the first bit attempt at organized cotton acreage adjustment.

COBB:

Yes, those were busy days, Mr. Porter, and these are too. Farmers in the cotton belt were eager for all available information that summer about the basic philosophy of the cotton adjustment program. During the following months as we have kept trying to help cotton farmers attain economic equality. They have kept up their interest in the fundamentals of the program they have worked out with the government to balance production of cotton with demand. I think it might be well today, Mr. Porter, to get back to some of these fundamentals.

PORTER:

In your opinion, Mr. Cobb, what is the most fundamental point in the whole cotton program?

COBB:

Well, Mr. Porter, that is a rather difficult question. There are many phases of the cotton adjustment program that are of fundamental importance and to attempt to determine that one particular thing is the most fundamental is about as hard as being a judge in a baby contest. I believe, however, that we might agree that the processing tax is the basic feature of the cotton adjustment program.

PORTER:

I agree, Mr. Cobb. It's evident that without the processing tax, there would be no cotton program because funds would not be available to make rental and benefit payments to cotton farmers for their cooperation in adjusting production. There have been many statements made about the processing tax.

(Over)

What is your view as to the justification for a processing tax, Mr. Cobb?

COBB:

Well, I would say that the processing tax on cotton is a recognition on the part of the government that the cotton farmer is entitled to a fair price for his crop. The funds derived from the processing tax and paid farmers in the form of rental and benefit payments are in no sense a bonus or a dole. They are as much a part of the farmer's earned income as the money he receives from the buyer when he sells a bale of cotton.

PORTER:

I think it would be a great thing, Mr. Cobb, if every farmer and the city people as well would consider that conception of the processing taxes. I have often heard the processing tax compared with the tariff. Do you see any similarity?

COBB:

Yes, the processing tax and the tariff are similar. We might say that the processing tax is the farmers' tariff. Prior to the enactment of the Agricultural Adjustment Act, farmers had to sell cotton on an unprotected world market while buying many goods they needed on a domestic market protected by tariffs. The processing tax, through financing rental and parity payments, now gives cotton growers some protection on the domestic market. The increased cost of goods caused either by the processing taxes or the tariff is borne by the consumer. While the tariff is for the protection of industry, the processing tax is for the protection of agriculture.

PORTER:

You spoke of the cost of the processing tax being borne by the consumer, Mr. Cobb. Does an analysis of the tax indicate that it places an undue burden upon consumers?

COBB:

I think the figures themselves will answer that question. The average amount of the tax paid is about 8 cents per bed sheet; 3 1/2 cents per work shirt; about 8 cents on a pair of overalls and slightly over 1 cent per yard of unbleached muslin. The consumer is merely being asked to pay a fair price for cotton products with a view to raising to a fair level the purchasing power of the cotton producer. For years the cotton farmer was forced to sell cotton so cheaply that he destroyed his power to buy goods produced by others. This undermined general economic well-being, and injured consumers generally.

PORTER:

Well, Mr. Cobb, I guess we could discuss various phases of the processing tax for the remainder of the afternoon. Could you sum up briefly the important points that farmers and the people generally should consider in connection with the processing tax?

COBB:

Yes, I would like to emphasize that the processing tax is essential to a cotton adjustment program. In a word, no processing tax, no cotton program. That should be the farmers' concern and when I see what this adjustment program has done for cotton producers, the improvement it has brought about, I am convinced that cotton farmers will recognize the importance of keeping this device to maintain and further the progress that has been made toward establishing a balanced cotton supply situation. From the standpoint of the consumers and the public generally, it should be remembered first that the prosperity of the cotton farmers -- one-third of our agricultural group -- is necessary to any general recovery. Moreover, the cost to consumers is less than $1 per capita annually and by the use of the processing tax, the cotton program which is so necessary, in my judgment, is financed without any drain on the national treasury. Those, in brief, are the important considerations of the processing tax. Unless, Mr. Porter, you have something to add.

PORTER:

I think that is a fine statement of the situation, Mr. Cobb. And your views are shared by everyone in Washington genuinely interested in Agricultural recovery. I think it might be well to give Secretary Wallace's opinion on the tax. In a recent statement, as you remember, Secretary Wallace had this to say: "To all intents and purposes the processing tax is the farmers' tariff. It is the only effective form of tariff for producers of export crops, prices for which are determined on a world market. If America is to remain on a high protectionist basis, therefore, the processing tax form of tariff protection or its equivalent, would seem to be no more than just.

"If no substitute is provided," Secretary Wallace continued, "and foreign purchasing power has not been increased by reduced tariffs, I am very much afraid that farm products within 3 years will be down again to the point where they will buy only half as much city products as they should buy in order to give the country a balanced prosperity. No one wants a repetition of 1932." That, Mr. Cobb, is Secretary Wallace's attitude on the processing taxes.

COBB:

And I thoroughly agree. I am particularly impressed with the Secretary's statement that "No one wants a repetition of 1932."

PORTER:

Well, Mr. Cobb, our time is drawing to a close. There are other important phases of the cotton situation that should be discussed at some future time. I believe we are going to go on the Farm and Home Hour next Friday. What should we talk about then?

COBB:

We have announced that the contracts signed by cotton farmers will be made effective for 1935. The amount of reduction that will be required has not yet been finally determined. One of the most widely discussed points in the cotton belt at the present time is the production of cotton in foreign

countries. I think that would be the most appropriate topic for next Friday. And I'll meet you at the microphone then. Good Afternoon.

PORTER:

Fine, Mr. Cobb, but I want to have the opportunity to get together with you before that time and find out what your point of view is on the foreign situation. So, Ladies and Gentlemen, we'll be back Friday and until then, Good Afternoon.

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AMERICAN COTTON AND WORLD MARKETS

A radio interview between Cully A. Cobb, Chief, Cotton Section, AAA, and Paul A. Porter, Press Section, AAA, broadcast in the Department of Agriculture period, National Farm and Home Hour, Friday, November 9, 1934.

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ANNOUNCER:

Last Friday, Farm and Home Listeners had the privilege of hearing Cully A. Cobb, chief of the cotton production section, in an interview with Paul Porter, chief of the press section, of the Agricultural Adjustment Administration. The processing tax was the subject of last week's interview. Today these gentlemen will discuss the foreign cotton situation. We will hear first from Mr. Porter.

PORTER:

Good afternoon, Farm and Home friends. I have a lot of questions today that I am going to ask Mr. Cobb and only wish time permitted to discuss the foreign cotton situation in the detail that its importance demands. But I think we can all clear up some notions about one of the most discussed phases of the cotton situation on the basis of a few fundamental questions. First, I would like to ask Mr. Cobb if the 1933 plow-up campaign was responsible for the increase in foreign acreage.

COBB:

No, Mr. Porter, I think we can dispose of that question without much difficulty. One of the most popular fallacies of the South's cotton program is the statement that many of our listeners have no doubt heard, and that is that when we plowed up 10 million acres in the summer of 1933, foreign cotton producing countries increased their acreage. As a matter of fact, foreign cotton acreage did increase in 1933 over the previous year. That increase as I recall it, was about 4 million acres. But it should be remembered that most of this acreage was planted or planned before the 1933 cotton program in this country was even considered.

PORTER:

Well, Mr. Cobb, it is apparent that the first emergency cotton program had no influence on foreign acreage for that year. Time wouldn't permit. But, I am wondering about this current season, the 1934 season. My information is that we may expect some further increases in foreign cotton acreage and production this year.

COBB:

Yes, Mr. Porter, it would seem that foreign production this year may be slightly above the last year's crop, but not more than 600,000 bales. It should be remembered, however, that these estimates are tentative and that it will be some time before we can know with any degree of accuracy just what the total foreign production will be for the 1934 season.

(over)

PORTER:

In your opinion, Mr. Cobb, is this slight increase due to the policy of adjusting American production.

COBB:

I recognize, Mr. Porter, that there are many well informed people in the cotton business that claim the recent increase in foreign acreage is related to our own cotton programs. My own point of view is that the 1933 plow-up campaign had practically no effect on foreign acreage and that the 1934 adjustment program has not materially affected foreign acreage because that acreage probably will not be materially above foreign acreage in the previous year. Furthermore, it should be kept in mind that acreage in foreign countries in 1933 followed two years of record supplies of American cotton and disastrous prices and that foreign acreage was planted or planned that year before there was any indication that the American producer was going to take steps to reduce burdensome supplies.

PORTER:

That answers the question for 1933, Mr. Cobb, but what about 1934?

COBB:

I think that every cotton farmer should remember that the cotton production industry is very old. For 4,000 years, mankind has been seeking suitable places for raising cotton. For several generations, every effort has been put forth by foreign producing countries to stimulate, or contract production as the particular circumstances seemed to warrant. I can see nothing in the present situation that adds new incentives for expansion in cotton production abroad that did not exist before.

PORTER:

Would you not admit, Mr. Cobb, that there exists a tendency among our former foreign cotton customers to buy their cotton else where? Would not this have a stimulating effect on foreign acreage?

COBB:

My statement was directed to our own price and production policies. Obviously, exchange restrictions, such as Germany has imposed, create a serious situation for our own cotton producers. Markets to which we formerly had free access are being restricted to some extent by policies of cotton consuming countries. What I meant was that abandonment of American price and production control would not necessarily assure the maintenance of foreign markets for American cotton.

PORTER:

That leads us into another field, doesn't it? I think we can agree that the maintenance of foreign markets for American cotton primarily depends upon the ability of foreign cotton consuming countries to purchase and pay for United States exports of American cotton and that related factors include (1) the level of

business activity abroad; (2) shifts in textile activity from Europe to the Orient; (3) the price and supply of American cotton relative to the prices and supplies of foreigh cottons and (4) trade agreements among other nations, and exchange restrictions.

COBB:

Yes, Mr. Porter, I think we can agree on that. But on the question of foreign production, we should bear in mind that there is a point in price and supply of American cotton which would no doubt bring about a definite response in increased foreign acreage. Personally, I don't believe we have yet reached that point.

PORTER:

You are not suggesting, Mr. Cobb, that we should increase supplies of American cotton so that a lower price would decrease foreign production and increase America's world markets?

COBB:

No, I am not suggesting that. But I think that your question probably states the real issue involved. When it is asserted that America must hold world dominance on a basis of price, there are two questions that everyone should ask, particularly the farmer. These questions are "What is the price?" and "Who is going to pay that price and must it be in the form of cheap cotton?"

PORTER:

Well, Mr. Cobb, our time is drawing to a close. We have not yet discussed the production situation in any of the 50 or more countries that produce cotton commercially. We have agreed that there is a point at which foreign acreage would respond to price and production in America. You have further said that our own programs here have not yet had any material affect on foreign production. That foreign cotton production would not have appreciably changed during the past two years if the American producer had not adjusted his production. Do you have any concluding statement, Mr. Cobb?

COBB:

Nothing, Mr. Porter, except that if the American producer is to maintain his position on the world market, he must realize that the ability of his foreign customers to buy cotton is limited by the amount of goods and services this country is willing to accept from them or from their customers. Also, as the adjustment program passes from a situation of oversupply to one of moderate supplies, it is increasingly important that the quality of the crop be maintained and improved. And, more important than anything else, if it is necessary to retain world markets by low prices or even moderate prices, it seems to me that the producer is the one to make the choice. My belief is that the choice will not have to be made until after the next crop. The immediate problem is to maintain and consolidate the gains that have been made through adjustment of production. I am sorry we did not have time to go into the details of the situation in each of the leading foreign producing countries. But we may be able to do that at another time. So I'll say Good Afternoon.

PORTER:

And thank you, Mr. Cobb. I too feel that we might have discussed the situation in Brazil, Egypt, Russia and some of the other countries. But, there is available a pamphlet prepared by the Agricultural Adjustment Administration on the situation in these countries. These pamphlets are being distributed to county agents and if any cotton producer wants further information on foreign cotton production and America's markets abroad, I suggest he get one of these pamphlets. Good afternoon.

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THE COTTON PROBLEM IN 1935

A radio interview between Cully A. Cobb, Chief, Cotton Section, AAA, and Frank L. Teuton, Radio Service, broadcast in the Department of Agriculture period, National Farm and Home Hour, Friday, November 16, 1934.

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ANNOUNCER:

Ladies and Gentlemen this is another of a series of interviews between C. A. Cobb, chief of the cotton section of the AAA, and Frank L. Teuton, of the Radio Service of the Department of Agriculture. Today the discussion will be on "America's Cotton Production Problem for 1935". You will first hear from Frank Teuton:

TEUTON:

Today we are going to talk about statistics. I think that it is important in considering cotton adjustment plans for 1935 to keep in mind certain fundamental factors that are usually expressed in figures. I suppose we should begin with the figure on the supply of American cotton. So Mr. Cobb, could you tell us how much American cotton there is in the world?

COBB:

The world supply of American cotton is about 20 million bales. That is the carryover of about 10 million 600 thousand bales and the current crop of about 9.6 million bales.

TEUTON:

A supply of 20 million bales is about what is usually considered as normal, isn't it Mr. Cobb?

COBB:

Well, the average for the past 14 years has been about 20 million bales.

TEUTON:

Mr. Cobb, that suggests another line of discussion and, if I may, I would like to ask you at this point if the recent decline in exports has any relationship to supply. You know, we are hearing a great deal now about America losing world cotton markets. Could it be because of a shortage of supplies?

COBB:

No, the foreign markets are not in jeopardy because of the supply situation.

(over)

TEUTON:

You have just said, Mr. Cobb, that our supplies are in line with the average of the past 14 years. If the surplus of the past several years has been whittled down to near normal proportions, what is the justification for continuing adjustment of production?

COBB:

I think you will find the answer to that question in the Act itself. As I recall, the Agricultural Adjustment Act instructs us to achieve and maintain such balance in production and consumption as will yield the best return to farmers.

TEUTON:

So the job now is to maintain such balance as has been achieved and prevent the accumulation of new surpluses that would depress the price and injure the producer. Is that right?

COBB:

Exactly.

TEUTON:

Mr. Cobb, with the production house in order and supplies nearer normal and if farmers cooperate in 1935 to prevent a new maladjustment in the supply situation, it would seem that recovery in the Cotton Belt will depend on cotton consumption next year.

COBB:

That is unquestionably true. When we had a carryover of 13 million bales and a world supply of 26 million bales of American cotton, a revival of normal cotton consumption still left the cotton farmer with less than his share of the national income. With supplies down toward normal, the cotton farmer can expect more immediate benefit from a return to normal consumption.

TEUTON:

What are the prospects for domestic cotton consumption for the coming year?

COBB:

This will depend upon continued improvement in employment, pay rolls, farm income, and industrial production, together with relief programs. Since 40 per cent of the cotton consumed in America is for industrial uses, the levels of industrial production and cotton consumption rise and fall together. I would say, therefore, that the prospects for domestic cotton

consumption are most closely linked with prospects for a revival of industrial activity.

TEUTON:

Well, Mr. Cobb, cotton consumption in America is dependent then upon general business recovery. What about the foreign situation? What is the outlook for foreign consumption of American cotton in the 1934-35 season?

COBB:

With large supplies of foreign cotton, there is a tendency to substitute them for American cotton. This is due to several factors. Among the reasons for the substitution of foreign cotton is the fact that foreign cotton consuming countries are compelled by economic pressure to buy their raw cotton from countries that in turn buy the products of the country purchasing their cotton.

TEUTON:

Oh, I see. So you mean then that the amount of cotton exported by the United States during the current cotton year depends largely on the amount of trade the countries that buy the cotton have with the United States.

COBB:

Yes. That is exactly what I mean. We can't expect Germany, and our other formerly good cotton customers to buy our cotton when they can't pay for it unless we help them out by trading with them. Germany wants American cotton, and will probably buy large quantities again if we can work out some sort of trade agreement whereby she can sell us some of her products so that she will have something to pay for the cotton.

TEUTON:

Well now, Mr. Cobb, that brings up an economic problem. Are we doing anything about it? Or is there anything we can do?

COBB:

Yes, there is something we can do. And we are trying to do it.

TEUTON:

Can you tell us briefly what it is?

COBB:

Well, as many of you know, we have a foreign trade organization headed by George N. Peek, formerly head of the Triple-A, and that organization is doing everything it can to work out trade agreements with foreign countries that will take our raw cotton if we in turn take some of their

goods so that they can pay us for the cotton.

TEUTON:

Then you would say that our exports of American cotton have fallen off in recent months not because our former cotton customers prefer foreign produced cotton, but because the economic conditions of many foreign countries is such that they simply can't buy our cotton unless we buy something from them. Is that right?

COBB:

Exactly.

TEUTON:

Then you would say that one of our big cotton problems for 1935 is to try to work out foreign trade agreements that will enable these former foreign customers to again buy their raw cotton from America. Is that what you mean?

COBB:

Yes.

TEUTON:

Well now Mr. Cobb, the cotton farmer can't do much about foreign trade agreements. He will have to depend on the men who are handling that to work out the best possible arrangements. But isn't there something that the farmer can do to help the situation in 1935?

COBB:

Yes, one very important thing.

TEUTON:

What is it?

COBB:

He can hold his cotton acreage down until the world has had time to use up some of our big supplies of American cotton.

TEUTON:

Mr. Cobb, I thought the 1933 plow-up and the 1934 voluntary adjustment program and the Bankhead Act reduced our supply until we are almost back to normal again. If that is the case then why talk about further adjustment?

COBB:

Well that is not exactly the case. The three programs you mention did help to reduce the supply of American cotton. But they didn't solve the problem. They only helped the situation. And we must carry on until there is a more permanent recovery. The three programs you speak of have about gotton us out of the worst of the emergency we were in at the beginning of 1933, but the road to permanent recovery is still ahead. If we produce another big crop of cotton next year, and have only a medium consumption, we will be backing up instead of going forward.

TEUTON:

How many acres will we harvest this year, Mr. Cobb:

COBB:

About 27 million acres according to the October cotton report.

TEUTON:

How does this compare with the average of say 10 or 15 years?

COBB:

The average for the last 14 years was about 38 million.

TEUTON:

Well now Mr. Cobb, will a farmer who did not sign a 1934 and 1935 cotton contract have an opportunity to sign a contract now?

COBB:

Yes. He will be given that opportunity in a short time. You understand there are upward of a million contracts already signed for 1935. We will carry these out.

TEUTON:

Is there any other way aside from the voluntary program available to keep the 1935 acreage down to a desirable amount?

COBB:

Yes. The Bankhead Act can be continued through the 1935 season if 2/3 of the farmers that vote on it in December say they want it continued.

TEUTON:

Summarizing the situation then Mr. Cobb, you would say that there are 2 big problems before the cotton farmers now -- the foreign trade situation, and the size of the 1935 crop.

COBB: That's right. And the farmers' job is to handle the 1935 acreage situation while our foreign organization works on the foreign problem.

THE 1935 COTTON PROGRAM

A radio talk by Cully A. Cobb, Cotton Section, Agricultural Adjustment Administration, delivered in the Department of Agriculture period of the National Farm and Home Hour Friday, November 30, 1934, broadcast by a network of 50 associate NBC radio stations.

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Ladies and Gentlemen: Late Wednesday afternoon the Secretary of Agriculture announced the 1935 cotton adjustment program calling for a reduction next year of 25 percent from the base acreage of cooperating producers.

In making the announcement, the Secretary signed a proclamation making effective for next year the approximately 1,004,000 two-year cotton contracts which were signed during the early part of 1934. So, if you grew cotton this year under contract, your present contract already has been made effective for 1935. However, there are some producers who did not sign the two-year contracts and now wish to join in our adjustment program. In order to take care of these growers, we will offer them contracts covering only 1935. It is expected that these one-year contracts will be available so that they may be signed and accepted by March 1, 1935.

While the two-year contracts and the new one-year contracts both call for a 25 percent reduction in acreage, any contract signer who wishes to do so will be allowed to reduce his base acreage 30 percent and will be paid under the program on that basis. This permitted reduction of an additional 5 percent is justified to permit more latitude in the arrangement of farm plans of individual producers.

The basis of payment for the 1935 program, which, under the terms of the contract must be "similar" to those described in the 1934 contract is 3-1/2 cents per pound on the average yield of lint cotton per acre for the years 1928-1932. The maximum rental that will be paid is $18 an acre. In addition to the rental payments, a parity payment of 1-1/4 cents a pound on the farm allotment will be made.

The farm allotment, which is the equivalent of 40 percent of the farmers' average production for the base period of the farm represents that percentage of production which ordinarily moves into domestic consumption. For the current crop year, the basis of payment was 3 1/2 cents per pound as rental and a parity payment of one cent per pound.

We estimate that the total amount of rental and benefit payments that will be disbursed under the program at $94,230,000. The program will be financed by the processing tax of 4.2 cents per pound on raw cotton.

In determining that the acreage reduction in 1935 should be the full 25 percent of the base acreage allowed in the two-year contracts the Agricultural Adjustment Administration felt that any reduction below 25 percent would not be to the best interest of cotton producers. A reduction of 25 percent offers the best possibility of maintaining world supplies of American

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cotton near present levels and the further possibility of returning to cotton producers the highest net income consistent with contract provisions and the outlook for American cotton.

With a 25 percent reduction in the base acreage of contracting growers, and assuming that non-contracting growers will plant approximately 5 million acres next year, we estimate that the total planted cotton acreage in 1935 will be about 34,400,000 acres. The planted acreage in 1934 was 28 million acres.

With yields at the 10-year average of 170 pounds per acre on the harvested acreage, and making allowance for the average abandonment of 2.4 percent, the result would be a 12-million bale crop in 1935. With reduced acreage, a somewhat higher yield per acre might result because of a tendency for more intensive cultivation, and other factors. Therefore, on the basis of average weather conditions, it would not be unreasonable to expect a crop somewhat above 12 million bales with the 25 percent reduction in 1935.

It is also estimated that if the Bankhead Cotton Control Act is NOT continued in effect for 1935, total production would probably result in a crop of slightly above 13 million bales. Among the factors that would tend to increase total production if the Bankhead Act were not in effect for 1935 would be the development of new cotton lands and the probability of a smaller percent of the non-signers signing contracts for the 1935 season.

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[1934]

THE WORLD COTTON SITUATION

A radio interview between C. A. Cobb, Chief, Cotton Section, and Paul Porter, Chief, Press Section, AAA, broadcast in the Department of Agriculture period, National Farm and Home Hour, by NBC and 50 associate radio stations.

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Porter:

Mr. Cobb, there is a lot of talk about the world cotton situation, and about foreign countries increasing their production of cotton to make up for acreage adjustments in America. One of the stories that is being circulated is that the South, through the acreage adjustment program, is about to lose its supremacy in the cotton world. It is being said that foreign countries are increasing their production of cotton so fast that America will soon be out of the picture.

COBB:

Well now Mr. Porter, we can answer that question fully. Let's just take up the big cotton-producing countries in their order, and see what the danger is. But I'm going to show you later on that our greatest danger is right here at home. America, you know, is the biggest cotton-producing country in the world.

PORTER:

Yes, I know that.

COBB:

All right, India is next. India in size is less than 2/3 as big as the United States. She has a population of 350 million people compared with 130 million in this country. The struggle in India is not for cotton, but for food and feed. Any material increase in her cotton acreage must come at the expense of food and feed. That is unlikely under present conditions. India has been producing cotton for hundreds of years, and if she could have dominated the world market she would have done it long ago.

PORTER:

Well, that sounds all right for India, but what about Egypt and Russia?

COBB:

Egypt and Russia both produce cotton. They are about tied for third place. Most of Russia's cotton is produced under irrigation in an old section of the country---in the deserts of Turkestan. The water supply definitely limits her area that can be planted to cotton. Her ambitious schemes a few years ago didn't pan out, and she is now producing just about what she did before the war--about a million and a half bales a year.

PORTER:

And what about Egypt?

COBB:

Egypt's cotton territory lies along the Nile River, between the river and the desert. Her cotton is all irrigated. That means expensive production.

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Egypt, like India, has such a dense population that she needs most of her land to produce food and feed. Now I suppose you want to know about China.

PORTER:

Yes, I was just going to ask about China.

COBB:

Well now, Mr. Porter, China is about like India and Egypt when it comes to expanding her cotton acreage. China can grow cotton, but her need for food and feed for her millions of people is so great that she grows only about 4 million acres of cotton.

PORTER:

What about Africa, Any danger there?

COBB:

No, I think not. Africa has made a big effort to increase her cotton acreage, but the results have been negligible.

PORTER:

Well now Mr. Cobb, that just about covers the countries across the sea, but what about some of those closer to home?

COBB:

You mean Brazil in South America?

PORTER:

Yes.

COBB:

Well now here is the situation in Brazil. Brazil has a soil that will produce cotton. She has a climate that apparently will produce cotton. But what do you think of when you think of Brazil?

PORTER:

Why, I usually think of coffee.

COBB:

Exactly, and coffee is Brazil's big crop. The Brazilian farmer is as much attached to the coffee crop as the southern farmer is to the cotton crop. And while the Brazilian farmer will grow cotton when it is more profitable than coffee, yet he prefers to grow coffee. Then too, the harvest season for cotton and coffee coming at the same time compete for labor, so that the farmer has to choose between the two crops, and he only chooses cotton when the conditions are unfavorable for coffee.

PORTER:

Well now how about the little cotton-producing countries? Aren't there a lot of them?

COBB:

Oh yes, there are 40 or 50 countries that produce cotton. But their production doesn't amount to much. Australia, for example, produces about 20,000 bales a year. Mexico, Peru, and still other countries produce cotton but in small amounts.

PORTER:

You don't seem to be much afraid of the foreign cotton scare.

COBB:

Frankly, I'm not. It is something we ought to watch. And it is something we are watching very closely. As Secretary Wallace said in his speech before the National Grange last Tuesday, nobody wants us to toss our export market for cotton out the window. And nobody expects to see that happen because we hope to prevent it. The foreign cotton situation is very complicated. It is all mixed up with tariffs, trade agreements, the money policy, and many other things, and our foreign trade organization is driving hard in that direction now, particularly in Germany and some of the other countries that formerly bought large quantities of American cotton. We'll leave no stone unturned to hold the world cotton supremacy we have enjoyed so long.

PORTER:

Well now what about the danger here at home? You said you would point that out before you finished.

COBB:

All right, here it is. During the cotton year 1933-34 the world had a total of 74 million acres in cotton. Thirty million acres of that amount was harvested in the United States after the plow-up. If it hadn't been for the plow-up program in the summer of 1933, 41 of the world's 74 million acres would have been right here in this country. We planted 46 million acres in cotton in 1925, and we can go to 50 without much effort. It's so easy to raise cotton in the United States that we sometimes forget the tremendous acreage we plant to cotton. India is the only other country country in the world that has a cotton acreage that is at all comparable with ours. She grows about 23 million acres a year, but her cotton land is old and poor, and the yield low about 65 pounds of lint per acre. China in 1933-34 had 6 million acres in cotton, Russia 5 million, Egypt 2 million, and Brazil about 2 million and a half. Outside of India the combined total cotton acreage of China, Russia, Egypt, and Brazil was only 15 million acres in 1933-34. We are paying benefits on as many cotton acres in America this year as those 4 countries had in cotton last year. Benefit payments are being made on approximately 15 million acres of cotton land this year. If that 15 million acres goes back into cotton before there is a better balance between supply and demand, before we can work out some foreign trade agreement, and before the world has had time to use up some of the American surplus that has been temporarily pushed aside but not permanently banished, we may again see 5 cent cotton and the misery it brings to the people who produce it.

So, Mr. Porter, my parting word is that we do have a foreign problem, of course, and we are working on it, but the big problem and our immediate problem is to try to prevent that 15 or 20 million acres above this year's harvested acres from going into cotton in the spring of 1935. That's the immediate danger.

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